

DECISION**THE COMPTROLLER GENERAL
OF THE UNITED STATES**

WASHINGTON, D. C. 20548

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FILE:

DATE: AUG 8 1975

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MATTER OF:

X Y Z Corporation

97292

DIGEST:

Official Government passenger travel is procured directly from carriers and travel agents are not used because (1) direct procurement is more efficient and economical; (2) reservations, cancellations or changes in travel schedules are more readily effected with less errors; (3) the statutory audit and settlement of carrier accounts is better facilitated and overcharges more quickly recovered.

Mr. D. B. James, President of X Y Z Corporation, advises that his company owns and operates seven travel agency offices, six of which are located in cities which do not have either airports or airline ticket offices. He reports that his company frequently accepts Government Transportation Requests in exchange for airline tickets, but that his company is denied commissions on the airline tickets because of the Government's policy of purchasing official passenger travel directly from the air carriers.

Mr. James urges that the Government regulations be amended to authorize the use of travel agents in the procurement of official travel. He believes that this proposed change in the regulations would enable travel agents to render beneficial services to the Government and would at the same time permit travel agents to be paid commissions on Government travel. He notes that the Government is the biggest customer for travel in the country and directs attention to the promotional advertising sponsored by the airlines which encourages the traveling public to engage the services of travel agents in planning their trips.

Initially, we point out that travel agents act as sales agents for the airlines. For the airlines, the essential role for the travel agents is the promotion and the development of new traffic. The airlines believe that their designated travel agents should concentrate their efforts to the promotion of discretionary travel rather than to the issuance of tickets to persons who would travel regardless of whether they dealt with the travel agents or with the air carriers.

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The airlines pay commissions pursuant to sales agency agreements which are filed with the Civil Aeronautics Board. Since 1940, however, the principal-agency agreements between the airlines and their designated travel agents have specifically provided that commissions will not be paid on official Government passenger travel.

The airlines thus have determined to serve the Government directly and to reduce their cost by not paying commissions to their travel agents on Government travel. It is the airlines' view that the payment of commissions on official travel would increase their operating costs which would require an increase in air fares. The net result would be that the Government, as well as the rest of the traveling public, would be required to pay higher fares--not for better air services, but solely to compensate for the additional costs resulting from the payment of commissions on official Government passenger travel.

Under airlines' agreements with the Government, traffic offices have been established at over 150 of the larger Government installations. Those ticket offices are stocked with supplies and staffed with personnel by the airlines without cost to the Government. Teleticket machines are used to issue tickets directly within many other Government agencies. Airline tickets also are furnished by mail and by pickup at will call desks located at airport terminals.

Since all flight reservations must be made and confirmed with the airlines, any cancellations or changes in flight plans, which frequently occur, can be effected more readily and with less likelihood of error by dealing directly with the carriers. Arrangements also can be made for the transportation of footlockers, impedimenta and other freight which frequently accompanies official Government travelers. In addition, certain lower air fares are available only if the Government purchases the air travel directly from the air carriers.

Changes and modification in travel arrangements generally result in adjustments in the total charges payable by the Government. Section 322 of the Transportation Act of 1940, as amended, 49 U.S.C. 66, provides that payment for transportation of persons or property for or on the behalf of the United States by any

carrier or forwarder shall be made upon presentation of bills therefor, prior to audit or settlement by the Government auditors, but the right is expressly reserved to the United States Government to deduct the amount of any overcharge by any carrier or forwarder from any amount subsequently found to be due such carrier or forwarder.

To implement the above statutory provisions and to enable the performance of the duties imposed by the Budget and Accounting Act, 31 U.S.C. 41, et seq., regulations have been issued for use in the audit and settlement of carrier accounts. The pertinent provisions relating to travel agents are published in sections 51.3 and 51.4 of Title 4 of the Code of Federal Regulations.

Section 51.3 provides that passenger transportation services shall be procured directly from the carriers and that travel agencies shall not be used except as provided in section 51.4. While the use of travel agencies is authorized in section 51.4 for travel within, between or from foreign countries to the United States and its possessions, such use is permitted only if the transportation services cannot be procured directly from American carriers at the place where the travel originates. The primary purpose of the exception is to enable Government personnel to obtain transportation in those foreign areas in which the local carriers refuse to honor Government Transportation Requests.

For the reasons above stated, the Government has long followed a policy of doing business directly with the carriers. We believe that direct procurement from the carriers is more efficient and economical than if travel agents were introduced into the acquisition of the transportation services. Since the air carriers do not pay commissions on official Government travel, and since the Government pays no more than the published air fares, there is no source of compensation to the travel agents on official Government travel. We do not believe, therefore, that as a practical matter of economics that a travel agent could satisfactorily furnish services for the United States.

The foregoing policy does not, of course, prevent the use of travel agencies by Government employees to purchase transportation

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or any other services necessary for the personal travel of themselves or their families.

R.F. KELLER

Deputy Comptroller General
of the United States